



Market Conduct Annual Statement 2023 Data Year Filings

Validation and Review

MCAS Validations

- MCAS Validations are data checks programmed within the MCAS data submission application.

Errors - some validations are considered to be errors and must be corrected before submission of data is allowed.

Warnings - other validations are considered to be warnings. Filings containing Warnings can be successfully submitted.

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MCAS Validation Warnings

MCAS Validations assist insurers in the review of their data within the MCAS application to ensure their data is accurate and entered as intended.

MCAS Validations assist state insurance regulators and NAIC staff in reviewing submitted MCAS data.

MCAS Validations have multiple purposes.

They assist insurers in the review of their data within the MCAS application to ensure their data is accurate and entered as intended. For example: the validations can point out data issues that are a result of data entry errors or coding errors,

And they assist state insurance regulators and NAIC staff in reviewing submitted MCAS data.



MCAS Validation Warnings

It is understood that some validation warning failures may be generated on accurate data that is the result of valid circumstances.

It is understood that some validation warning failures may be generated on accurate data that is the result of valid circumstances; for example, companies with small amounts of business to report, or runoff business to report may trigger validation warning failures that are not concerning.

The screenshot displays two tables from the MCAS system filing matrix. The top table shows filings with various statuses and associated warnings and errors. A red arrow points to the 'Warnings' column for the 'Health' row. The bottom table shows filings that are either 'Not Started' or 'In Progress'.

	STATUS	WARNINGS	ERRORS	WAIVER	EXTENSION
Total Errors: 20 Total Warnings: 20					
Health *	Filed	2	0		
Lender-Placed Insurance	In Progress	16	17		
Homeowners	In Progress	1	1		
Private Passengers Auto *	In Progress	1	2	PENDING	
Long Term Care *	In Progress	0	0		
Disability Income *	In Progress	0	0	APPROVED	
	STATUS	WARNINGS	ERRORS	WAIVER	EXTENSION
Health *	Not Started	0	0		
Lender-Placed Insurance	Not Started	0	0		
Homeowners	Not Started	0	0		
Private Passengers Auto *	In Progress	0	0		PENDING

The MCAS system filing matrix provides the MCAS user with information regarding their filings. The filing matrix displays the number of warnings found in submitted or started filings. Before a company submits each filing containing warnings, they are prompted to add comments regarding any outstanding warnings in the submission.

The screenshot displays a filing matrix with two tables. The top table shows the following data:

	STATUS	WARNINGS	ERRORS	WAIVER	EXTENSION
Health *	Filed	2	0		
Lender-Placed Insurance	In Progress	16	17		
Homeowners	In Progress	1	1		
Private Passengers Auto *	In Progress	1	2	PENDING	
Long Term Care *	In Progress	0	0		
Disability Income *	In Progress	0	0	APPROVED	

The bottom table shows the following data:

	STATUS	WARNINGS	ERRORS	WAIVER	EXTENSION
Health *	Not Started	0	0		
Lender-Placed Insurance	Not Started	0	0		
Homeowners	Not Started	0	0		
Private Passengers Auto *	In Progress	0	0		PENDING

Once a company has filed the MCAS data, the filing matrix will display a status of “filed” for each state and line of business submitted. At this point in the process, NAIC staff will begin a review of the data, checking for data inconsistencies and anomalies.

Homeowners Interrogatories		
	Yes No Response	Explanation
01		----
02		----
03		----
04		----
05		----
06		----
07		----
08		----
09		----
10		----
11		----
12		----
13		----
14		----
15		----
16		----
17		----
18		----
19		----
20		----

Comments

As NAIC analysts review company filings, they view comments found in the interrogatories.

The image shows a screenshot of a web-based 'ATTESTATION' form. The form is titled 'ATTESTATION' and contains three main sections, each with a 'Comments' field highlighted by a red box:

	First Name	Middle Name	Last Name	Suffix	Title	Comments
165 First Attestor information	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
166 Second Attestor information	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
167 Overall Comments for the Filing Period	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

And in the attestation to determine if the warnings have been sufficiently addressed.

If a filing contains “warning messages,” and there are no comments entered by the company, it is more likely that the company will be contacted for an explanation by NAIC staff.

Attestation

By completing the attestation information, those named understand, agree and certify on behalf of the named company that:

1. They are authorized to submit the Market Conduct Annual Statement on behalf of the named company and to bind the company to the statements in this attestation;
2. They are knowledgeable of the information required to be provided in the Market Conduct Annual Statement filed by this company and have reviewed this filing;
3. To the best of their knowledge and belief, this filing represents a full and accurate statement of the information required to be provided in the Market Conduct Annual Statement pursuant to the applicable instructions; and
4. They are aware that the state insurance department(s) receiving the data may initiate regulatory action as authorized by law in a specific jurisdiction if the data submitted in the MCAS is inaccurate, incomplete, or found to be materially false, misleading or omissive.
5. They affirm that the company is able to accurately trace the data as reported to its source within the company and if necessary, recreate the MCAS results as reported in this filing.

NOTE: The company must provide the name for at least two individuals who are able to attest that the criteria listed above have been met, and attest to the overall accuracy of the MCAS filing. Both attestors should have participated in the review and validation of the filing. We recommend that one person be the individual with operational responsibility for the source data such as a responsible individual from claims, underwriting or compliance. We recommend that the second person should be a responsible IT person that participated in the creation of the data in the filing.

ID	Description
4-58	First Attestor Information (First Name, Middle Name, Last Name, Suffix, Title)
4-59	Second Attestor Information (First Name, Middle Name, Last Name, Suffix, Title)
4-60	Overall Comments for the Period

The location of the attestation is now the last set of questions for each MCAS line of business, rather than being a separate option within the MCAS submission application. The Attestor information and additional company comments will be provided within a separate schedule reported for each MCAS line of business and state. Please refer to the MCAS Blanks and Data Call and Definitions for further guidance on this reporting.

Lender Placed Insurance (Auto and Home)

Both Single Interest and Dual Interest

Claims

Ratio 1. **Number of claims closed without payment to total number of claims closed**

$$\frac{(\text{\# of claims closed without payment})}{(\text{\# of claims closed with payment}) + (\text{\# of claims closed without payment})}$$

Ratio 2. **Claims open at the end of the period to total claims during the period**

$$\frac{(\text{\# of claims open at the beginning of period} + \text{\# of claims opened during period}) - \text{\# of claims closed with payment} - \text{\# of claims closed without payment}}{(\text{\# of claims open at the beginning of period} + \text{\# of claims opened during the period})}$$

Ratio 3. **Claims paid beyond 60 days to total claims closed with payment**

$$\frac{(\text{\# of claims settled 61 - 90 days} + \text{\# of claims settled 91 - 180 days}) + \text{\# of claims settled 181 - 365 days} + \text{\# of claims settled beyond 365 days}}{\text{total \# of claims closed with payment}}$$

Ratio 4. **Loss Ratio - Incurred claims to earned premium**

$$\frac{(\text{dollars of claims incurred during the period})}{(\text{dollar amount of premium earned during the period})}$$

Cancellations

Ratio 5. **Master policy cancellations to master policies in force at beginning of the period**

$$\frac{(\text{total \# of master policy cancellations})}{(\text{total \# of master policies in force at beginning of period})}$$

The company's standard ratio results are also reviewed. A listing of the scorecard ratios can be found on the MCAS web page.

During review of a company's ratio results, values that are significantly different than the expected value are identified, along with any significant changes in a company's ratio values year to year. Companies will be notified of these anomalies to allow verification of the submitted data.

Validation and Review

- Listed warnings
- Ratios
- Data comparisons
- General review



In addition to warnings and ratios, data relationships within the submission are reviewed. An example would be a comparison of policies in-force to the number of claims. Another example would be the comparison of policies in-force to written premiums. If an unusual data relationship is identified, the company will be asked to explain.

A final review is a general review of the data for potential data inaccuracies. An example of this might be the submission of a data element that contains a value much larger than expected; perhaps too many zeros were added, or two data elements were transposed. Again, if these anomalies are identified, the company will be asked to review the data.

MCAS Market Conduct Annual Statement

2024 | 2023 (Current Data Year) | 2022 | 2021 | 2020 | Contacts and Scorecards

RESOURCES

September 1, 2024 MCAS industry scorecards posted to MCAS Web page for Other

Data Collection Worksheets (Blanks)

- Annuity v. 2023.0.1 (9/28/22)
- Disability Income v. 2023.0.1 (9/28/22)
- Health v. 2023.0.1 (9/28/22)
- Homeowners v. 2023.0.1 (9/28/22)
- Lender-Placed Home and Auto v. 2023.0.1 (9/28/22)
- Life v. 2023.0.1 (9/28/22)
- Long-Term Care v. 2023.0.1 (9/28/22)
- Private Flood v. 2023.0.1 (9/28/22)
- Private Passenger Auto v. 2023.0.2 (8/3/23)
- Short-Term Limited Duration v. 2023.0.3 (10/25/22)
- Travel v. 2023.0.1 (9/28/22)
- Other Health v. 2023.2.2 (2/8/24)

Data Call and Definitions (Instructions)

- Disability Income v. 2023.0.1 (9/28/22)
- Health v. 2023.0.1 (9/28/22)
- Homeowners v. 2023.1.0 (2/22/24)
- Lender-Placed Home and Auto v. 2023.0.1 (9/28/22)
- Life & Annuity v. 2023.0.1 (9/28/22)
- Long-Term Care v. 2023.0.1 (9/28/22)
- Private Flood v. 2023.0.1 (9/28/22)
- Private Passenger Auto v. 2023.1.0 (2/22/24)
- Short-Term Limited Duration v. 2023.0.3 (11/16/23)
- Travel v. 2023.0.1 (9/28/22)
- Other Health v. 2023.2.2 (2/8/24)

Summary of 2023 Changes

2023 MCAS User Guide

Scorecard Ratio Formulas

NEW FOR 2023 DATA YEAR

Other Health is the new MCAS line of business being introduced for the 2023 data year. A summary of changes is found in the Summary of 2023 Changes document.

UPDATE: HOMEOWNERS AND PRIVATE PASSENGER AUTO - DEFINITION

It has come to our attention that there is confusion related to the wording of the definition of Definitions for the Homeowners and Private Passenger Auto lines of business. The confusion is related to the first bullet point.

The current definition reads:

- "For purposes of reporting lawsuits for Homeowner/Private Passenger Auto products:
 - Include only lawsuits brought by an applicant for insurance, a policyholder or claimant reporting insurer as a defendant."

This changes how claims-related lawsuits have been reported from the inception of MCAS. Claims-related lawsuits against the insured arising from a claim regardless of whether the insured was a named defendant could drastically reduce the reported number of claims-related lawsuits if the current definition without questioning the change.

In order to ensure that reporting for the 2023 data year is done correctly we are making the following definition of lawsuit:

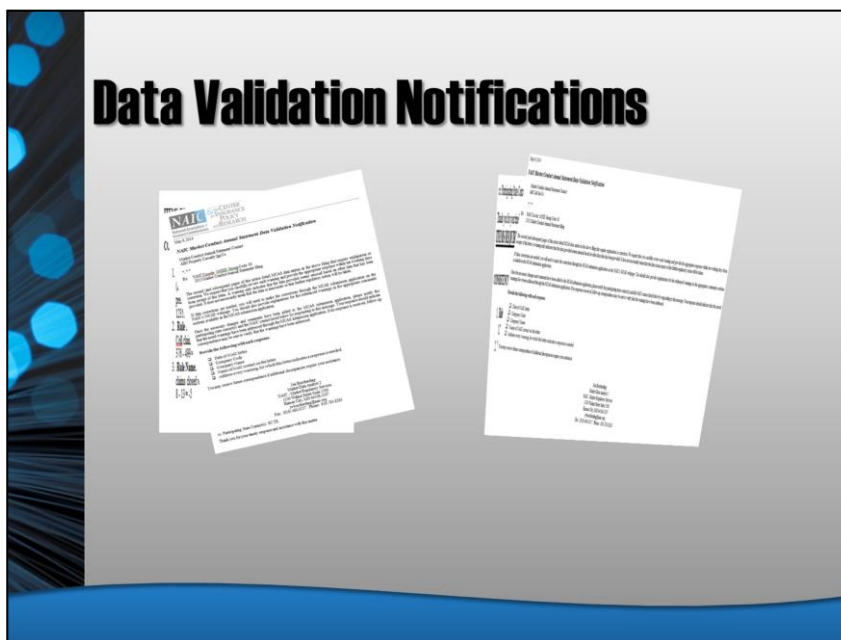
- "For purposes of reporting lawsuits for Homeowner/Private Passenger Auto products:
 - **For non-claims related lawsuits**, include only lawsuits brought by an applicant for insurance, a policyholder or claimant as a plaintiff against the reporting insurer as a defendant."

The MCAS User Guide, (found on the MCAS webpage) lists the data validation messages that may be encountered while validating data. This includes both “Error” and “Warning” messages. Use the listing to prepare data and to determine comments that will be needed to explain “Warning” messages received during the data validation process.

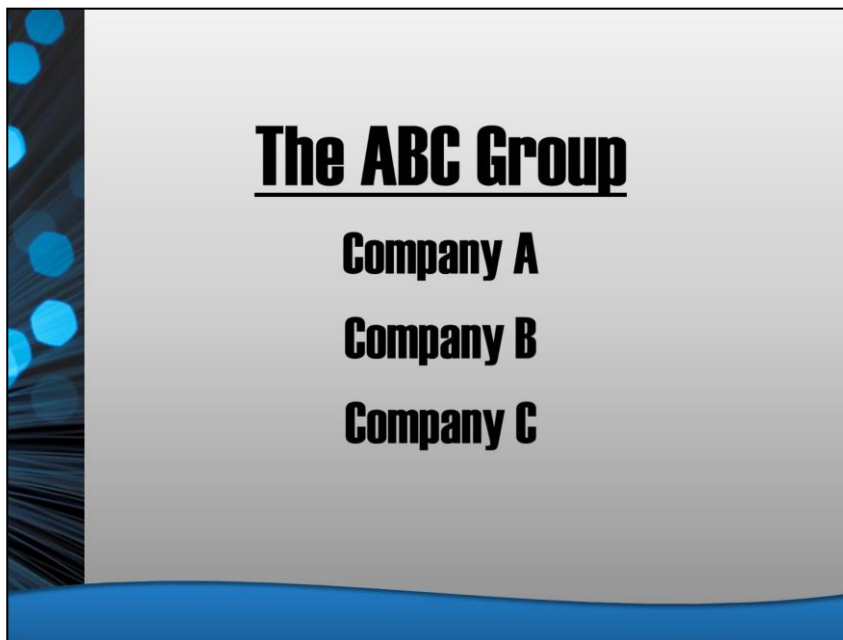
State Regulators have Oversight



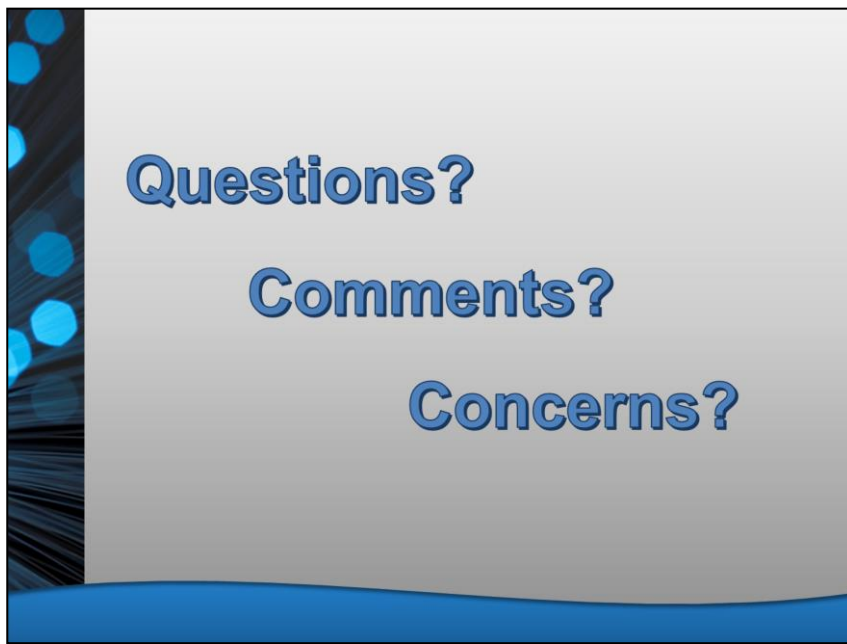
It is important to note, state regulators have full access to all data and will also review data for accuracy. State regulators will concentrate on submission for their states only, while the NAIC will review the data and look for potential trends in data filed within **multiple** states.



If there is reported data that appears to be mis-reported or inaccurate based on a review of data for states where data was submitted, NAIC will send an email letter to the Market Conduct Annual Statement Contact. When contact is made with individual companies, state regulators are notified of this correspondence. If they have additional questions or concerns, they may also contact the company. However, keeping state regulators in the line of communication, should lessen the number of inquiries received for any particular data concern.



If company A is part of ABC group, and the same observations are made for other companies within the group, then separate correspondence will be sent to each company. It is important to respond to requests in a timely manner to avoid follow up from the NAIC or state regulators. In the company response to the NAIC, please include comments on what action the company will take.



If you receive correspondence from an NAIC analyst, we encourage you to reach out to the analyst with any questions, comments or concerns you may have regarding the correspondence, the validations, or other MCAS filing related issues.



**Concludes
Market Conduct Annual Statement
2023 Data Year Filings**

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